

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7026

BILL NUMBER: HB 1380

NOTE PREPARED: Jan 15, 2008

BILL AMENDED:

SUBJECT: Distribution of Lake County Income Tax.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that the Lake County Council may not adopt an ordinance to impose the local option income tax for property tax credits unless the ordinance requires that revenue from the tax be used as follows: (1) The revenue collected from taxpayers within a particular municipality in Lake County shall be used only to provide a local property tax credit against property taxes imposed by that municipality. (2) The revenue collected from taxpayers within the unincorporated area of Lake County shall be used only to provide a local property tax credit that is available only to those taxpayers within the unincorporated area and that is applied against property taxes imposed by the county.

Effective Date: January 1, 2008 (retroactive).

Explanation of State Expenditures: Summary - The bill will require the Department of Local Government Finance (DLGF), with the assistance of the State Budget Agency (SBA), to certify to the Lake County auditor the amount of property tax replacement credits that the county and each municipality in the county are entitled to receive as provided for under this bill's provisions. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Department of Local Government Finance and The State Budget Agency - The funds and resources that may be required for the DLGF and the SBA to implement the local option income tax distribution for Lake County could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. The state vacant position

report for January 14, 2008, indicates that the DLGF and the SBA have four and one vacant full-time positions, respectively.

Department of Revenue (DOR) - The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new ordinance specifying local option income tax revenue distribution for Lake County. The Department's current level of resources should be sufficient to implement this change. The state vacant position report for January 14, 2008, indicates that the DOR has 113 vacant full-time positions.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill's provisions require the Lake County auditor to certify the property tax replacement credit amounts to the county and each municipality in the county. The auditor also must certify these credit amounts to the county treasurer.

Explanation of Local Revenues: A local option income tax would increase Lake County's revenue to be used for local property tax relief. The estimated distribution of a 1% local option income tax, in Lake County, for CY 2009-2012 is included in the table below.

| Calendar Year | Estimated Distribution at 1% |
|---------------|------------------------------|
| 2009 | \$86.62 M |
| 2010 | \$87.48 M |
| 2011 | \$88.36 M |
| 2012 | \$89.24 M |

Background - Current law regarding counties adopting a local option income tax requires that the tax revenue attributable to a local option income tax be used to provide local property tax replacement credits *at a uniform rate to all taxpayers in the county. This bill, however, would provide property tax relief to taxpayers in municipalities and unincorporated areas within Lake County based on the tax revenue that is collected within that particular municipality or unincorporated area.* The estimated distribution to each municipality and the unincorporated area in Lake County is indeterminable.

State Agencies Affected: SBA; DLGF; DOR.

Local Agencies Affected: Lake County.

Information Sources:

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